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UNIDO COUNTRY DIRECTOR PROGRAMME

Addendum

Programme framework for field representation

Proposals of the Director-General

Summary

In compliance with decision IDB.12/Dec.11, provides details of the programme framework for field representation mentioned in paragraph 11 of IDB.13/3-PBC.10/4.

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Introduction

1. In conclusion 93/9 of the Programme and Budget Committee on the UNIDO Country Director (UCD) Programme, subsequently endorsed by the Industrial Development Board in its decision IDB.11/Dec.29, the Director-General was requested to prepare proposals for a programme framework for field representation as a basis for negotiating extra-budgetary financing in the light of the outcome of current discussions in the United Nations General Assembly, including possible redeployment of headquarters staff to the field to maintain the current level of UCDs. In reporting on the implementation of Committee conclusion 93/9 and Board decision IDB.11/Dec.29, the Director-General in document IDB.13/3-PBC.10/4, paragraph 11, provided the main features of the programme framework for field representation. The request for the preparation of the framework was reiterated by the Board at its twelfth session in decision IDB.12/Dec.11, which stipulated that the Director-General was to submit his proposals for field representation to the Board at its thirteenth session through the Programme and Budget Committee. The Board furthermore considered that the Committee should adopt a conclusion on the matter, taking into consideration the importance of all UCD offices operating on a sound financial basis and of achieving the target of 50 UCDs or at least maintaining the present number. The present document is submitted in accordance with Board decision IDB.12/Dec.11.

I. UNIDO FIELD REPRESENTATION PROGRAMME

A. Background and overview

2. The issue of UNIDO's field presence is intimately linked with United Nations General Assembly resolutions 44/211 and 47/199 calling for the decentralization to the field offices of certain functions from the Headquarters of the United Nations and the larger specialized agencies. While the governing bodies of other specialized agencies such as the Food and Agriculture Organization of the United Nations, the International Labour Organisation, the United Nations Educational, Scientific and Cultural Organization and the World Health Organization have already taken steps to promote decentralization, UNIDO has not so far been able to build up a broader country presence, owing mainly to the lack of required resources for the field representation programme.

3. In 1993, for these reasons, and in response to General Conference resolution GC.4/Res.4, the Director-General submitted a report on the subject to the Board and the Committee (IDB.11/7-PBC.9/9). In response to that report, the Committee adopted conclusion 93/9, which was subsequently endorsed by the Board in its decision IDB.11/Dec.29. In the same decision, the Board, inter alia, requested the Director-General to propose a programme framework for field representation that takes into account discussions in the United Nations General Assembly.

4. In response to the mandates of its policy-making organs, UNIDO undertook a review of the key issues involved in the scope, nature and financing of UNIDO's field representation. From that exercise, the need emerged for a redefinition of the role, functions and funding of the UNIDO field programme.

5. The present document highlights the main issues related to an expanded field representation programme, decentralization to the existing field offices, subregional representation and financing the UNIDO field representation programme as a basis for negotiating resource contributions with various donor countries.

B. Current situation

6. UNIDO's country presence is maintained through the following arrangements.

(a) UNIDO Country Director (UCD) offices

7. At present, UNIDO maintains 40 UCD offices in as many countries (see annex I to the present document); they are fully integrated in the United Nations Development Programme (UNDP) offices in those countries. In accordance with the Memorandum of Understanding between UNDP and UNIDO signed in April 1989, the UNDP Resident Representatives are officially designated as UNIDO representatives. The UCDs are functioning as deputies to the Resident Representatives in the field of industry and as such operate under their general direction. As of 31 March 1994, 28 field offices were headed by UCDs. In some cases, the UCD offices are staffed by junior professional officers (JPOs) or national programme officers (NPOs). Currently, 46 JPOs are on board (see annex II to the present document). In addition, 28 associate experts are assigned to support technical cooperation projects and regional commissions.

8. The UCD programme is currently financed from the UNDP sectoral support; the UNIDO regular and operational budgets; and the indicative planning figure (IPF) of the host country (see table 1 below). In the past, three UCD posts were financed through voluntary contributions.

UNDP sectoral support

9. The UNDP Governing Council allocated through its decision 91/34 a total amount of $19 million to support the UCD programme in the fifth programming cycle (1992-1996). In response to Board decision IDB.10/Dec.11, the Governing Council authorized, through its decision 93/6, an increased expenditure of up to $10.2 million for 1992-1993 from the total of $19 million earmarked for the fifth programming cycle. Thus, from this source UNIDO will have $8.8 million at its disposal, or $2.93 million yearly, for the three years remaining in the cycle.

UNIDO regular and operational budgets

10. The programme and budgets for the 1994-1995 biennium provides for 10 UCD posts under the operational budget and eight UCD offices under the regular budget (see table 1 below).

IPF of the host countries

11. So far, one country (Uzbekistan) has agreed to finance, for two years, the entire cost of a UCD office from its IPF resources. This arrangement will expire at the end of March 1995.

Voluntary contributions

12. In the past, three additional UCD posts were financed through voluntary contributions. No new

Table 1

UCD programme financing, 1994-1995

Source of funds	Number of offices: Full funding	Number of offices: Partial funding a/	Available resources (In millions of US dollars at current rates): 1994	1995	Total
UNDP sectoral support	14	7	3.5 b/	2.9	6.4
UNIDO operational budget	10	-	2.8	2.9	5.7
UNIDO regular budget	6	2	1.8	2.0	3.8
IPF	1	-	0.2	0.0	0.2
Total	31	9	8.3	7.8	16.1

a/ Consists only of the local support costs of the UCD office.

b/ Annual allocation of $2.9 million plus $0.6 million carried forward from 1993 unutilized funds.

voluntary contributions were received in 1993 and 1994. Support to cover local costs was received from Governments of some host countries.

(b) Investment Promotion Service (IPS) offices

13. The basic function of the IPS offices is to identify foreign partners for investment projects in developing countries. At present, UNIDO has 10 IPS offices. They are located at Athens, Greece; Cologne, Germany; Milan, Italy; Paris, France; Seoul, Republic of Korea; Tokyo, Japan; Vienna, Austria; Warsaw, Poland; Washington, the United States of America; and Zurich, Switzerland. Two Centres for International Industrial Cooperation, at Beijing and Moscow, which are also involved with inward investment promotion activities are being integrated in the IPS network. Some 10 additional IPS offices are currently under consideration in both developed and developing countries. The IPS offices are fully financed through voluntary contributions by the host countries that cover all expenditures including programme support costs (overhead charges).

(c) UNIDO liaison offices

14. There are currently two liaison offices (in New York and Geneva), which are financed from the regular budget. The functions of these offices comprise maintainance of liaison with the relevant principal organs of the United Nations, organizations of the United Nations and other international and financial institutions, as well as representatives of Member States of UNIDO whose accredited missions are located in New York or Geneva, and promotion of relations with the Government, legislative bodies and private sectors of the host country.

II. AN EXPANDED PROGRAMME FOR UNIDO COUNTRY PRESENCE

15. The present UCD programme is considered insufficient for meeting the new challenges and adequately promoting diversified UNIDO services at the country level. The main constraints are:

(a) Since the UNDP field offices heavily emphasize operational activities in line with the UNDP mandate, the UCD offices, being an integral part of UNDP offices, are required to devote a substantial portion of their efforts to administration and management of technical cooperation and operational activities financed under UNDP and other resources. Their ability to concentrate on industry-specific analytical, advisory and promotional activities is thus diluted, although such activities are being increasingly demanded in such forms as analyses of country industrial structure and development constraints, promotion of investment and technology and the provision of technical, management and policy advisory services.

(b) The UCDs are designated as deputies to the Resident Representatives, and are therefore not always in a position to carry out sufficient direct consultations with concerned authorities of the recipient Governments for programming and other activities regarding emerging problems and needs for assistance and advice. Often obliged to work without such direct contact with the key officials and institutions in the recipient countries, the UCDs are constrained in their endeavours to render substantive services which would enable them to take initiatives for joint programmes with all relevant development actors in the field. While maintaining coordination with UNDP offices, it is considered an essential precondition for their effective work with all concerned entities in the country that the UCDs be given full recognition and prominence as UNIDO representatives.

(c) The UNDP sectoral support financing as currently available will be phased out at the end of 1996. Its continuation is subject to further negotiations. The IPF financing (of Uzbekistan) will be completed by the end of March 1995. At the present stage, there are indications that these UNDP resources may not be available during

the entire period of the biennium 1996-1997. The introduction of the UNDP successor arrangements and the growing national execution of IPF-funded technical cooperation projects have caused a dramatic decline in UNIDO income generated from the execution of UNDP-financed projects. With the transfer to UNIDO of the entire administration of UCD offices in April 1989, the local support costs of the UCD offices are substantially increasing.

(d) The UCDs are usually assisted by JPOs funded by various donor countries to UNDP. UNIDO is currently defining a new strategy for their location. In addition to the important input of the JPOs, recent developments indicate that associate experts could play a major role in supporting field representation. Donor countries are receptive to new approaches in the use of those resources if well-planned programmes are developed and accurate terms of reference are drawn up. UNIDO recognizes the high value of these two programmes and is taking measures to encourage donor countries to augment their contributions.

A. Future functions of the UCD offices

16. In the past, the functions and activities of UCDs have de facto been concentrated on supporting technical cooperation programming and project identification and on facilitating their implementation. The changing demand structure and the new pattern of financing UNIDO services after the introduction of the UNDP successor arrangements as well as the widened clientele for the services now necessitate a broadening of the actual UCD functions. The UNIDO representatives in the individual member countries must be in continuous close contact with both the various end-users of the services and the various national and international funding sources. The UNIDO representatives must also be in the position to render services in a range of substantive areas and provide industrial information directly to the clients in both the public and private sectors.

17. The functions of UNIDO field offices should therefore not only cover traditional technical cooperation programming and related activities but should also be expanded so as to comprise some of the following services:

(a) Assessment of industrial structure and development constraints in the concerned country and formulation of UNIDO country briefs and support strategies;

(b) Industrial, including subsector-level, analyses in connection with industrial restructuring and privatization programmes;

(c) Advisory services on an enabling policy and institutional environment conducive to the development of private sector and an increased inflow of financial and other resources to the industrial sector;

(d) Advice on the sourcing, assessment and transfer of technologies and support to their subsequent adaptation to local needs and capabilities;

(e) Information services, including dissemination and exchange of data on technology and market trends;

(f) Advice on investment potential and on the development and promotion of integrated investment programmes;

(g) Advice on UNIDO training services;

(h) Mobilization of financial resources for UNIDO services through enhanced contacts with bilateral donors, international organizations, including financial institutions, and various national entities in the country concerned;

(i) Advisory services to strengthen the institutional, management and technical capabilities in the industrial sector of their countries of assignment;

(j) Direct advisory services to industrialists and entrepreneurs in specific technical fields;

(k) Identification and development of programmes relating to environment, energy and transfer of clean technology.

18. To discharge the above functions, the UCD offices would need to assume the role of full-fledged UNIDO field offices serving the entire Organization rather than being confined to only supporting technical cooperation and programming activities. Concurrently, the role of UCDs should also be that of a functional sectoral adviser. That means that UNIDO must strengthen the substantive and evidently the programming capability of its country offices.

B. Decentralization of functions to the field offices

19. It is desirable to decentralize some functions from Headquarters to the field in order to bring various functions as close as possible to clients and to be able to respond swiftly to their demand for services.

20. United Nations General Assembly resolution 47/199 refers to decentralization as the transfer of capacity and delegation of authority to the field offices through moving staff and financial resources and thereby establishing programming and administrative capacity at the country level. However, the delegation of authority over financial resources and the ensuing procedures are primarily related to the funding programmes of the Joint Consultative Group on Policies such as UNDP, the United Nations Children's Fund, the United Nations Population Fund, the World Food Programme and the International Fund for Agricultural Development, as well as specialized agencies with substantial regular budget resources of their own such as the International Labour Organisation, the World Health Organization and the Food and Agriculture Organization of the United Nations. UNIDO does not fall under that category, as UNIDO resources are not only limited in volume but also in terms of flexibility. Currently, the limited resources available for field operations (programmes/projects) and field representation (UCD programme and administration) are mainly of external origin. Therefore UNIDO can delegate only to the extent that the funding agencies allow (i.e. UNDP for indicative planning figure and Special Industrial Services (SIS) programme) and that donors' conditions and criteria would permit.

21. Yet the issue of possible transfers of headquarters staff and of substantive capacities to provide technical and administrative support at the field level is directly relevant to UNIDO. With regard to technical support, it must be recalled, however, that the scope for redeployment is limited at present. Industry is a particularly diverse, specialized and dynamic sector that needs to be serviced by a broad range of expertise. UNIDO must maintain at Headquarters a core technical capacity or critical mass, to be available upon request to its Member States - particularly to developing countries - in all regions. At this time of scarce resources it will, therefore, be difficult for the Organization to re-allocate a sizeable number of substantive posts to its field offices.

22. In respect to administrative and programming functions, UNIDO will have to assess the short- and medium-term scope for redeploying staff resources to the field offices. UNIDO will also study the possibility of delegating to the field offices authority for limited expenditure from the operational budget and SIS programme to enable those offices to quickly respond to such urgent requests as advisory or direct support services, urgent study tours within the region and formulation missions.

23. Decentralization can be also enhanced by delegating the responsibility, more than before, to the field staff to carry out certain functions that are otherwise carried out by headquarters staff combined with high travel cost, such as participation in regional and national meetings/workshops and tripartite meetings.

C. Wider country coverage

24. The present field coverage is totally insufficient to meet the objectives of an "efficient" field representation. Ideally, there should be one UNIDO representative located in each developing country that requires such presence. However, owing to prevailing financial constraints and because the need for UNIDO services in some countries may be too limited to warrant a permanent UNIDO office, this appears to be an unrealistic goal. In any case a very large number of countries may in the long run warrant consideration for location of a UNIDO office. The Board has repeatedly recommended, and did so again at its eleventh session (IDB.11/Dec.29), that a total of 50 UCDs is a desirable target for the near future. This should be seen as a major task for UNIDO for the medium term. Subject to the availability of additional resources, the following criteria will be considered for selecting the location of the new offices:

(a) Size and structure of the industrial sector in the country and the current and prospective demand for UNIDO services;

(b) Potential contributions from various sources to the financing of local costs of the UCD offices;

(c) Location of an office of a relevant regional or international organization;

(d) Availability of adequate physical and institutional infrastructure;

(e) Large coverage of least developed countries (LDCs).

D. Financial requirements

25. As can be seen from table 1 above, the total cost of the UCD programme in the current biennium amounts to $16.1 million, of which $9.5 million are covered from the UNIDO regular and operational budgets and $6.6 million are funded from other resources. Maintaining the current level of country presence in the biennium 1996-1997 will be possible only if the required financial resources are identified and received on time. As the availability of non-UNIDO resources is not certain at this stage (see para. 15(c) above), UNIDO has no alternative but to draw upon its own regular and operational budgets. Therefore, while pursuing the efforts to mobilize outside resources, the allocation of additional regular budget resources would be the most logical and feasible means for UNIDO to secure its continued field representation programme at the present level.

26. For that reason, it is intended to redeploy $1.9 million from anticipated savings in the 1994-1995 biennium to the UCD programme in the current biennium to fill some of the current vacancies in the programme. In addition, a higher budget allocation of $3.6 million is being proposed for the biennium 1996-1997 to offset the loss of sectoral support funding beyond 1996. Only through this budget re-allocation and redeployment will the Organization be able to maintain the current number of field offices at a certain strength throughout the next biennium. To attain the target of 50 UCD offices, an additional amount of $4.6 million will be required for the next biennium (as can be seen from table 2 below).

E. Staff requirements

27. The current standard size of the UCD offices (i.e. one UCD, one secretary, one JPO (in some cases) as well as a driver) will in the future not be sufficient to provide UNIDO services. The staff of future UCD offices must include at least one or two National Programme Officers (NPOs), who have an intimate knowledge of the industry in their own country and are specialized in such areas as investment promotion, small industries and technology-related activities in order to assist the UCDs in developing and delivering specialized services to various clients. Furthermore, associate experts may be attached to UCD offices with large programmes and projects, provided agreement for funding can be ascertained with donor countries. Whereas the actual size and the composition of skills will be determined for each office according to the needs and requirements of the country concerned, the three categories outlined in table 3 below are being tentatively considered.

(a) International UCDs

28. International UCDs must be highly qualified professionals with ample industrial experience. Besides being able to render substantive advisory services, they should be good contact creators and negotiators, able to work actively in public relations and image-building of UNIDO among donors and other development actors in their countries of assignment. Their job description will clearly specify their new functions (as indicated in para. 17 above) and their new role vis-à-vis the Resident Representatives (see paragraph 15(b)). At the beginning of their assignment, UCDs will

Table 2

Resource requirements of UCD offices, 1994 to 1997

A. 1994-1995 biennium

	Number of offices	Resource requirements (In millions of US dollars at current rates) RB/OB	Other	Total
Resources presently available	40 a/	9.5	6.6	16.1
Redeployment of 1994-1995 resources b/	-	1.9	-	1.9
Total resources available after redeployment	40	11.4	6.6	18.0

a/ Of which only 28 offices are staffed by UCDs; 12 offices have a vacant UCD post due to lack of financial resources.

b/ To fill some of the current vacancies in the programme.

B. 1996-1997 biennium

	Number of offices	Resource requirements (In millions of US dollars at 1995 rates) RB/OB	Other	Total
1994-1995 base	40	11.7	6.6	18.3
Reduction in IPF financing	-	-	(0.2) a/	(0.2)
Reduction in UNDP sectoral support	-	-	(3.5) a/	(3.5)
Resource increase (to be approved) b/	-	3.6	-	3.6
Net result	40	15.3	2.9	18.2
Additional resources necessary to reach target of 50 field offices	10	4.6	-	4.6
Total	50	19.9	2.9	22.8

a/ See table 1 and paragraph 15 (c).

b/ This refers to the proposed 1.9 per cent budget increase in 1996-1997 as contained in document IDB.13/10/Add.1-PBC.10/12/Add.1.

Table 3

Field office categories under consideration

Office size	Proposed staff and other requirements: Regular/operational budgets	Financed from other sources
Large	1 international UCD 1 administrative/programming staff 1 secretary 1 driver Advisory services funds (minimum $50,000) Equipment International travel	1-2 JPOs / and associate experts (by donors) 2 NPOs plus office local cost (to be covered by the host country)
Medium	1 UCD (HQ staff/National Director (UND)) 1 administrative/programming staff 1 secretary 1 driver Advisory services funds (minimum $50,000) Equipment International travel	1 JPO (by donors) 1 NPO plus office local cost (to be covered by the host country)
Others	1 UND 1 secretary/administrative assistant 1 driver Funds for advisory services (minimum $30,000) Equipment International travel	1 JPO (by donors) Local cost under operational budget

receive detailed briefing at UNIDO Headquarters for a period of two to three months. The Memorandum of Understanding with UNDP will be reviewed and appropriate adjustments will be reflected.

(b) UNIDO National Directors and National Programme Officers

29. UNIDO will be flexible and appoint, wherever convenient, National Directors (UNDs) as heads of its field offices. This policy will have a dual benefit: namely of providing qualified expertise with an in-depth knowledge of country priorities and yet, at a lower cost, due to the lower pro forma rate for the national staff and the absence of many other costs associated with internationally recruited UCDs. In five countries, negotiations have already been initiated or completed to fill the UCD posts with National Directors. Obviously, UNDs should be carefully selected and their reporting closely monitored by Headquaters. As UNIDO staff, they are directly responsible to UNIDO Headquarters. The NPOs will be recruited by UNIDO from either public or private sector entities in the host country. The cost of the NPOs shall be borne, as far as possible, by the Government concerned. This policy will also be a response to General Assembly resolution 47/199, paragraph 26, which calls for fullest utilization of available national resources.

(c) Redeployment of headquarters staff as UCDs

30. It is intended that various headquarters programmes shall be assessed to identify the relevant headquarters posts for redeployment to the field and the qualified headquarters staff members to fill the UCD posts. The redeployment of headquarters staff will be a positive response to Board decision IDB.11/Dec.29. However, in view of the scarcity of available staff qualified for UCD posts, the scope for redeployment of sizeable posts might be limited.

F. Integration of JPOs and associate experts in the UCD programme

31. Every effort will be made to ensure the continuation of assignments of JPOs at UCD offices and the extension of the JPO assignment from two to three years. To that end, an agreement will be sought with donor countries (similar to the existing one for the associate expert programme) on the integration of the JPO programme in the UCD programme. Additional donors will be identified. The yearly budget for JPOs, varying between $3 and $4 million, could be integrated into the UCD programme. Efforts will be made to increase the number of JPOs from the current level of 46 to around 60 for the 1996-1997 biennium. Member States that have not participated to date in this programme with UNIDO will be particularly invited to do so, including more advanced developing countries. Additionally, consideration could be given to strengthening large UCD offices with associate experts for programme- and project-related activities.

G. Networking of various country offices

32. UNIDO will examine all aspects of integration of the tasks and functions of various field offices in a developing country, including UCD and IPS offices, into one single UNIDO field office in order to ensure cost effectiveness, coherence and coordination of UNIDO support to field programmes in the country concerned.

H. Other measures

33. UNIDO must combine its strengthened field presence with increased awareness programmes and intensive information campaigns to make its capabilities and services better known to the industrial sector entities in both developed and developing countries. Such information campaigns will be carried out through:

(a) The UNIDO Public Information Service;

(b) Creation of UNIDO support groups or associations, involving respected and influential personalities, such as heads of industrial corporations, managers of large commercial banks, politicians, and renowned researchers and consultants, as well as former UNIDO staff members, to promote our services as well as to mobilize financial resources. These personalities are expected to carry out the above-mentioned promotional tasks on an honorary basis, without any significant financial commitment on the part of UNIDO. It can be assumed that, through the knowledge and experience of these eminent persons in industry and finance as well as their worldwide reputation among industrialists, financial institutions and the media, UNIDO could widen and strengthen its working relationships with industrial sector entities, commercial and financial institutions.

III. FINANCING THE FIELD REPRESENTATION PROGRAMME

A. Combined funding (UNIDO/UNDP resources)

34. UNIDO will continue to seek financing of its field representation programme from a combined scheme of resources available within the Organization, e.g.: (a) UNDP sectoral support, (b) UNIDO regular and operational budgets and (c) local and external resources from developing and developed countries. Since, however, the continuation of UNDP resources beyond the end of the current cycle is uncertain, UNIDO will enter into intensive negotiations with a wider range of potential funding sources in both the recipient and other countries. The following funding arrangements can be foreseen.

B. Extrabudgetary financing

(a) Self-financing trust fund arrangements

35. UNIDO would need to demonstrate to its various clients in developing countries (i.e. Governments, associations of industry, chambers of commerce and industry) that through their financial participation in a UNIDO office, they would gain easier and more rapid access to UNIDO services. To this end, UNIDO will pursue a marketing strategy. UNIDO will also undertake an awareness campaign to introduce the advantages and mechanisms of self-financing trust fund arrangements. The contribution from local institutions could be in kind, staffing or resources. In all cases the UCD should be internationally recruited.

(b) Third-party trust funds

36. In this case, a third country (probably a developed country) would make funds available through a special programme under its voluntary contribution to the Industrial Development Fund for financing a UNIDO office in a given developing country. As mentioned above, three posts were financed in the past under this financing modality, but no further contributions have been received to date for 1993 and 1994.

(c) Local support cost financing by the recipient countries

37. UNIDO will increasingly make authorities and other entities (Government, associations of industry, private sector, banks) in the country concerned, aware of the fact that the UCD office in their country could operate only if the local costs are substantially covered by the local sources. The response and cooperation of the local authorities will obviously depend on their resource capabilities and on the extent to which they need and perceive the value of UNIDO services. So far, seven countries are actually paying part of the total costs of the UCD offices in their respective countries. Some countries are considering contributing to the local cost in the near future.

38. The following forms of local cost financing by recipient countries may be considered:

(i) The entire local costs (i.e. local staff, local travel, premises, furniture and equipment, vehicles, communications, supply and materials, uniforms, joint administrative activities) are covered by the host country. UNIDO provides the international staff under its own regular/operational budget;

(ii) The host country covers the greater part of the local costs, and UNIDO pays the salaries of local staff such as NPOs and covers the cost of the international staff;

(iii) The host country covers only part of the local costs and UNIDO bears the rest. In such a case, attempts will be made to ensure that at least 50 per cent of the local costs are financed through local resources;

(iv) The local costs of the offices located in LDCs may be covered either from the regular/operational budget, through regional economic and technical cooperation among developing countries (ECDC/TCDC) or a combination of both.

C. Establishment of a special fund

39. In addition to the financing modalities described in paragraphs 35 to 38, the feasibility of establishing a special UNIDO country representation fund will be explored and various aspects of its operation examined. Such a fund would be open for voluntary contribution from Member States and relevant international organizations for financing exclusively the UNIDO country representation programme. This mechanism should have the particular advantage of mobilizing additional resources and strengthening the neutrality of UNIDO's representation.

D. UNIDO budget financing

40. The field presence of UNIDO must be considered an issue of high priority. The argument that UCDs were exclusively linked to technical cooperation programmes and hence should be financed only from technical cooperation-related resources is no longer valid, as UCDs are expected to provide advisory services encompassing all UNIDO activities. Pending progress in establishing the arrangements for UCD office financing, there is currently no alternative for the Organization but to draw predominately upon its regular and operational budgets to ensure the funding of its field representation programme at, at least, the current level, and make every effort to reach the target of 50 UCDs in the nearest future. Therefore, the possibility may be considered of allocating in the future around 10 per cent of UNIDO budget to the UNIDO field representation programme (as indicated in para. 26 and table 2 above) to enable the Organization to maintain the current programme at a certain strength and move towards attainment of the target of 50 UCDs. To that end, the support of Member States is sought.

IV. OTHER SCHEMES OF FIELD REPRESENTATION

A. Establishment of subregional offices

41. UNIDO is currently exploring the scope for and feasibility of establishing a limited number of subregional offices that could service several countries. The rationale is to enable UNIDO to build up sizeable teams of representatives that would be able to cover a wider range of functions and services in certain subregions by concentrating these resources in a subregional office. Besides rendering substantive and information services to entities in each country covered, the subregional offices would have as particular function the promotion of and support to subregional industrial cooperation. To this end, the offices would undertake the following:

(a) Analyse and review the industrial development plans, strategies and priorities of the countries in a specific subregion and accordingly develop subregional cooperation programmes and concepts, including financial and implementation modalities, for consideration and endorsement by the Governments concerned;

(b) Promote coordination and exchange of information and data among the countries of the subregion on such issues as technology-related investment, environmental impacts of industrial pollution, private sector development, national capability building, investment promotion and ECDC/TCDC;

(c) Formulate and organize training programmes including subregional workshops/seminars on industrial human resource development and enterprise management techniques;

(d) Establish a close network in the countries of the subregion with industrial, financial, training and research institutions with a view to:

(i) Obtaining and disseminating data and information on the sources and appropriateness of required technology;

(ii) Identifying opportunities for technical cooperation, investment promotion, special trust fund arrangements;

(iii) Mobilizing resources through identification of joint programmes with other subregional and regional organizations, including regional development banks and bilateral donors.

42. Taking into account the significant deviations in economic and industrial performance between various regions and subregions, the following criteria would be considered in selecting the most suitable subregions as well as the location of UNIDO subregional offices:

(a) The countries in the subregion should have significant current and/or potential demand for UNIDO services;

(b) The envisaged subregions should provide a suitable environment from the political, economic and strategic points of view for the development and enhancement of subregional programmes and cooperation in the field of industry. Political stability in the individual countries would enhance economic cooperation at the subregional level and prepare the groundwork for increased involvement by the donor community. The envisaged subregion should preferably cover as many LDCs as possible;

(c) The host country for the subregional office should offer, among others, the following prerequisites:

(i) A sizeable industrial sector;

(ii) A dynamic and active private sector and possibilities for mobilizing trust funds;

(iii) Good prospects for technical cooperation programmes and UNIDO participation;

(iv) Adequate coverage by multi- and bilateral agencies as well as international and financial institutions;

(v) Potential for government contribution to financing the cost of the subregional office;

(vi) Adequate transport and communication network.

43. Based on the above considerations, and owing to existing financial constraints, UNIDO should consider as a first stage the establishment of three subregional offices on a pilot basis, one each covering a selected group of countries in the African, Asia and the Pacific and Latin America and the Caribbean regions. The required detailed feasibility study and discussions with concerned authorities and entities to examine the validity of the concept as well as the subregional priorities and financial implications should be initiated soon. Subject to availability of funds and if the subregional offices prove to be cost effective, the establishment of additional subregional offices could be examined as a second stage.

(a) Financial and staff requirements

44. It is understood that the actual cost and the staff requirements for each subregional office would be carefully studied, if and when a decision is taken, and appropriate terms of reference will be drafted. At this stage, however, the resource requirements for the tentative establishment of three subregional offices could be estimated as shown in table 4 below. Particular importance should be given to ensuring sufficient financing for the travel requirements within the subregions.

(b) Implementation modalities

45. Subject to the endorsement of the general concept, the following financing arrangements could be considered and further examined for their viability and practicability.

(i) Regular budget financing

46. The subregional offices might be established as three regional technical cooperation projects financed under the regular budget. The required advisory services could be provided within the context of these regional projects for each subregion. It may be recalled that ILO has already financed 10 multidisciplinary advisory teams under such a financing modality for various subregions in Africa, Asia and the Pacific, Latin America and the Caribbean, Arab States and Europe. They appear to have been very successful in their endeavours.

(ii) Cost-sharing arrangements

47. UNIDO could establish, on a pilot basis, three regional technical cooperation projects, one each in the African, Asia and the Pacific and the Latin America and the Caribbean regions. The multidisciplinary teams and other project costs will be financed through cost-sharing arrangements between developed and developing countries. A special fund will be created to which both developed and recipient countries would contribute according to well-defined terms of reference. UNIDO will contribute from its own resources or through redeployment of its headquarters staff as subregional directors. This financing modality is being implemented by the United Nations Conference on Trade and Development (UNCTAD) in cooperation with UNDP, whereby UNDP is financing the chief technical adviser and other project costs of three regional projects in Africa, Asia and Latin America and the Caribbean. UNCTAD is contributing through seconding its regular staff to the projects. Should the concept of subregional representation be found feasible and cost effective, UNIDO could then include it as one of its priority programmes in its regular budget (as stated above) in order to ensure its continuity.

(iii) Financing through special regional programmes

48. The subregional offices might be established within the framework of the existing special regional programmes of UNIDO for the Industrial Development of Asia and the Pacific and the

Table 4

Resource requirements for proposed subregional offices

Subregion	Staff: Regular/operational budgets	Staff: Financed from other sources	Substantive expertise
South-East Africa	1 Regional Director (URD) 1 international Professional staff 1 administrative/programming staff 2 secretaries 2 drivers + Equipment + Funds for urgent advisory services (minimum $100,000)	1-2 JPOs + associate experts (donors) 2 National Programme Officers + local support cost of the office (to be covered by the host country) + funds for travel within the subregion	Advisers in: - small business development - industrial human resource development - investment promotion - agro-industries
Estimated cost a/	$550,000	$90,000	$640,000
South-East Asia	1 Regional Director 2 international staff 1 administrative/programming staff 2 secretaries 2 drivers + Equipment + Funds for urgent advisory services (minimum $100,000)	1-2 JPOs + associate experts (donors) 2 National Programme Officers + local support cost of the office (to be covered by the host country) + funds for travel within the subregion	Advisers in: - small and medium enterprise development - environmental programmes and energy-related issues - technology development and promotion of biotechnology - investment promotion - industrial information
Estimated cost a/	$650,000	$100,000	$750,000
Andean Group in Latin America	1 Regional Director 1 international staff 1 administrative/programming staff 2 secretaries 2 drivers + Equipment + Funds for urgent advisory services (minimum $100,000)	1-2 JPOs + associate experts (donors) 2 National Programme Officers + local support cost of the office (to be covered by the host country) + funds for travel within the subregion	Advisers in: - investment promotion - industrial information - technology development - industrial pollution and environmental programmes - industrial human resource development
Estimated cost a/	$650,000	$120,000	$770,000

a/ Figures also take into account regional cost-of-living disparities.

Regional Cooperation programme for the Industrial Recovery of Latin America and the Caribbean. To that end, UNIDO could seek special-purpose contributions of potential donors to the Industrial Development Fund to cover the entire costs of the subregional offices within the scheme of these special programmes. Similarly, IDDA resources could be used for financing the envisaged subregional office in Africa.

B. Liaison and IPS offices

49. UNIDO is maintaining other types of field offices, including IPS offices, in some developed and developing countries and liaison offices in two developed countries. The possibility of linking an IPS office and a UNIDO field office in a developing country into a full-fledged UNIDO country office - albeit with two separate functions - will be investigated. This arrangement could significantly enhance the functions and the cost efficiency of the office. Since, however, the IPS offices address different clients and are funded under different financial resources with varying functions, thorough studies and consultations will be undertaken to assess the viability of the proposed concept, cost effectiveness and other staff and structural considerations.

50. UNIDO will carefully examine the extent to which the existing liaison offices in New York and Geneva could become increasingly instrumental in promoting UNIDO services to private sector clients, financial and industrial institutions in their countries of assignment. The creation of a third office in Brussels will be considered with a view to establishing liaison with the European Union.

51. It is intended to examine the extent to which the IPS office at Washington could be used for promoting UNIDO services and mobilizing resources for financing those services. Through reinforcement of the office and reorientation of its functions, the office could regularly and systematically follow up areas of cooperation and review opportunities for joint programmes with funding agencies, private sector and non-governmental organizations in the United States of America.

V. ACTION REQUIRED OF THE COMMITTEE

52. The Programme and Budget Committee may wish to recommend to the Board the endorsement of the proposed programme framework for the field representation programme.

Annex I

UNIDO COUNTRY DIRECTOR OFFICES AS OF 31 MARCH 1994

1. Algeria
2. Argentina
3. Bangladesh
4. Barbados
5. Bolivia
6. Brazil
7. Cameroon
8. Chile
9. China
10. Colombia
11. Côte d'Ivoire*
12. Ecuador*
13. Ethiopia
14. Ghana
15. Guinea
16. Honduras
17. India
18. Indonesia*
19. Jamaica
20. Kenya*
21. Lebanon
22. Madagascar
23. Mexico
24. Mozambique
25. Nigeria*
26. Pakistan*
27. Peru*
28. Philippines*
29. Senegal
30. Sri Lanka*
31. Sudan
32. Thailand
33. Togo*
34. Turkey*
35. Uganda
36. United Republic of Tanzania
37. Uzbekistan
38. Viet Nam
39. Zambia
40. Zimbabwe*

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* Vacant.

Annex II

JUNIOR PROFESSIONAL OFFICERS (JPOs) IN THE FIELD AS OF 31 MAY 1994

Donor countries	Recipient countries
AUSTRIA	Bangladesh Cape Verde Mexico Nicaragua
BELGIUM	Benin Morocco
DENMARK	Botswana El Salvador Ethiopia Ghana India Indonesia Pakistan Uganda Uzbekistan Zambia
FRANCE	Viet Nam
GERMANY	Burundi Cameroon Fiji Mexico Mozambique Namibia Viet Nam
NETHERLANDS	China Guatemala Guinea Guyana Kenya Malawi Mauritius Nigeria (2x) Papua New Guinea Senegal Trinidad and Tobago Zimbabwe
NORWAY	Ecuador Jamaica Madagascar Philippines
SWEDEN	Costa Rica United Republic of Tanzania
SWITZERLAND	Bolivia Madagascar Pakistan